

PRYOR CASHMAN LLP

410 Park Avenue, New York, NY 10022 Tel: 212-421-4100 Fax: 212-326-0806

New York | Los Angeles

www.pryorcashman.com

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Philip R. Hoffman
Partner

Direct Tel: 212-326-0192
Direct Fax: 212-798-6386
phoffman@pryorcashman.com

March 7, 2008

VIA FAX

Honorable Paul A. Crotty
United States District Judge
Daniel Patrick Moynihan United States Courthouse
500 Pearl Street, Room 735
New York, New York 10007

Re: Phat Fashions LLC v. Tornado Imports (Canada), Inc., 07 Civ. 3278 (PAC)

Dear Judge Crotty:

The parties, despite their best efforts to do so, have been unable to reach a settlement which would end the litigation. As a result, counsel have conferred with respect to the two sets of issues which remain in this case in light of Your Honor's ruling on December 14, 2007. Those issues are described below, along with counsel's proposed plan for dealing with them going forward. Counsel for the parties also jointly request a conference with the Court to discuss the contents of this letter.

Plaintiff's Claim For Attorney's Fees

Plaintiff contends that paragraph 18 of the Trademark License Agreement ("Agreement") entitles plaintiff to collect its attorney's fees and related expenses (approximately \$400,000) from defendant. That paragraph states, in full:

In any action or proceeding brought by Licensor to enforce any rights under, or pursuant to, this Agreement, Licensor shall be entitled to recover all reasonable costs and expenses incurred in connection therewith, including all legal fees and disbursements, provided that Licensor shall be the prevailing party or that such action or proceeding resulted from Licensee's default or failure to comply with its obligations under this Agreement.

MEMO ENDORSED

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Defendant contends that the present action, addressing the validity of an alleged oral extension, does not fall within the scope of the License's attorneys fee clause. Plaintiff disagrees and contends that the right sought to be enforced was to have the Agreement end by its terms on December 31, 2007.

Defendant's Counterclaim For Breach Of The Covenant Of Good Faith And Fair Dealing

Defendant asserted four counterclaims: (1) Declaratory Judgment; (2) Anticipatory Breach of Contract; (3) Breach Of Duty Of Good Faith And Fair Dealing; and (d) Promissory Estoppel. Defendant contends that the conduct of plaintiff, through Mr. Ullmann, breached the implied covenant of good faith and fair dealing and that the December 13-14th trial evidence suffices to establish such liability.

Plaintiff contends, among other things, that as there is no dispute that it performed its obligations under the Agreement during the term of the Agreement, defendant's claim for breach of the implied covenant should be deemed dismissed based upon the findings made by the Court on December 14th, including the Court's granting to plaintiff of a declaratory judgment that the Agreement terminated as of December 31, 2007.

Proposed Plan For Case Going Forward

To resolve these remaining disputes, we suggest that on a date to be determined, subject to the Court's convenience: (a) plaintiff shall move for summary judgment on its attorney's fees claim; and (b) defendant shall submit a post-trial memorandum on its counterclaim. Three weeks after these initial submissions, which will be on the issue of liability only and not the amount of fees and/or damages, the parties shall exchange opposition papers. Two weeks thereafter, the parties shall, if necessary, submit any reply papers. Counsel will thereafter be available for argument to the extent that the Court desires same. After the Court has ruled, the parties will confer to ascertain whether any further proceedings are necessary (e.g., to determine attorney's fees or damages).

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We look forward to the opportunity of discussing these matters further with the Court at the requested conference.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'P. Hoffman'.

Philip R. Hoffman

cc: James A. Beha II, Esq. (via e-mail)

Application GRANTED. The conference is scheduled for
wed, 3/19/08 at 3:00pm in Courtroom 20-S

SO ORDERED: MAR 10 2008

A handwritten signature in black ink, appearing to read 'Paula A. Crotty'.

HON. PAULA A. CROTTY
UNITED STATES DISTRICT JUDGE